

December 28, 2004

Dear Tax Professional,

I want to make sure you know about the Health Coverage Tax Credit (HCTC). This federal tax credit may benefit some of your clients, not only by decreasing their tax liability or increasing their refund, but also by giving them access to health coverage. Workers who have been laid off due to foreign trade and individuals receiving pensions from the Pension Benefit Guaranty Corporation (PBGC) are potentially eligible for the HCTC. While we notify individuals who are potentially eligible by mail, we need your help to make sure that eligible individuals know about and correctly claim the HCTC.

Help eligible individuals save \$65 on every \$100 they spend on *qualified health coverage by claiming the Health Coverage Tax Credit in advance or on their federal tax return.**

The HCTC pays 65% of qualified health plan premiums for eligible individuals. These individuals can choose to have the 65% credit applied directly to their health plan premiums as they become due or they can claim the credit when they file their federal tax return. You can help them understand their options. Who is eligible? Start by asking if the individuals are now, or were during any part of the tax year:

- Receiving benefits under the Trade Adjustment Assistance (TAA) program through their state workforce agency; or
- Receiving benefits under the Alternative Trade Adjustment Assistance (ATAA) program; or
- Receiving pension payments from the Pension Benefit Guaranty Corporation (PBGC) and between the ages of 55 and 65 and not eligible for Medicare.

If the answer to any of these questions is "Yes," and if the individual is enrolled in a qualified health plan and not eligible for Medicare, it will be worthwhile to review the HCTC eligibility chart with the individual to further determine if they may be able to obtain this valuable tax credit.

Based on a recent survey, 70% of HCTC candidates may use a tax preparer.

The following resources can assist you:

1. An HCTC Eligibility Chart to help you quickly determine if the individual is potentially eligible for the HCTC
2. A Drop-in Article to include in your client, association, or organization newsletters
3. Frequently Asked Questions about the HCTC

Please take the time to go through these resources. This information is being provided electronically and may also be found on the web at <http://www.irs.gov> (IRS Keyword: HCTC).

Sincerely,



Keith V. Taylor
Director, Health Coverage Tax Credit Program
Internal Revenue Service

* Only specific health plans qualify for the Health Coverage Tax Credit (HCTC).